

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
CARROLL COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

The Auditor of Public Accounts has completed the Carroll County Fiscal Court audit for the fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$941,529 from the beginning of the year, resulting in a cash surplus of \$2,766,621 as of June 30, 2002.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$1,070,000. Future collections of \$1,287,362 are needed over the next 12 years to pay all bonded debt principal and interest.

Report Comment:

- All Revenues Of The County Should Be Deposited By The Treasurer and All Disbursements Should Be Budgeted and Approved by Fiscal Court

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
CARROLL COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE	15
NOTES TO FINANCIAL STATEMENTS	16
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	23
SCHEDULE OF OPERATING REVENUE	27
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	31
SCHEDULE OF OTHER EXPENDITURES	35
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	39
COMMENT AND RECOMMENDATION	43
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Harold Tomlinson, Carroll County Judge/Executive

Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Carroll County, Kentucky, as of June 30, 2002, the related statement of cash receipts, cash disbursements, and changes in cash balances, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Carroll County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Carroll County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002 of Carroll County, Kentucky, and the revenues received and expenditures paid and the cash flows of its Enterprise Fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 10, 2003 on our consideration of Carroll County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Carroll County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- All Revenues Of The County Should Be Deposited By The Treasurer and All Disbursements Should Be Budgeted and Approved by Fiscal Court

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 10, 2003

CARROLL COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Gene McMurry	County Judge/Executive
John Proctor	Magistrate
Dean Miller	Magistrate
Ira Loudon	Magistrate

Other Elected Officials:

James Monk	County Attorney
Mike Humphrey	Jailer
Marketta Brock	County Clerk
William Wheeler	Circuit Court Clerk
Charles Maiden, Jr.	Sheriff
David Robertson	Property Valuation Administrator
Jim Dunn	Coroner

Appointed Personnel:

Debra Cayton	County Treasurer
Traci Courtney	Occupational Tax Collector

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

CARROLL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Type</u>			<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Proprietary</u>	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 2,539,985	\$ 220,994	\$ 9,352	\$ 2,770,331
Total Assets	\$ 2,539,985	\$ 220,994	\$ 9,352	\$ 2,770,331
<u>Other Resources</u>				
Amounts to Be Provided				
In Future Years for:				
Bond Payments	\$	\$ 849,006	\$	\$ 849,006
Total Assets and Other Resources	\$ 2,539,985	\$ 1,070,000	\$ 9,352	\$ 3,619,337

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
 STATEMENT OF ASSETS,
 LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	<u>Governmental Fund Types</u>			<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Proprietary</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Bonds:				
Series 1993	\$	\$ 1,070,000	\$	\$ 1,070,000
Payroll Revolving Account	<u>3,710</u>			<u>3,710</u>
Total Liabilities	<u>\$ 3,710</u>	<u>\$ 1,070,000</u>	<u>\$ 0</u>	<u>\$ 1,073,710</u>
<u>Equity</u>				
Retained Earnings:				
Restricted	\$	\$	\$ 9,352	\$ 9,352
Fund Balances:				
Unreserved	<u>2,536,275</u>			<u>2,536,275</u>
Total Equity	<u>\$ 2,536,275</u>	<u>\$ 0</u>	<u>\$ 9,352</u>	<u>\$ 2,545,627</u>
Total Liabilities and Equity	<u><u>\$ 2,539,985</u></u>	<u><u>\$ 1,070,000</u></u>	<u><u>\$ 9,352</u></u>	<u><u>\$ 3,619,337</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CARROLL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 5,333,924	\$ 2,650,251	\$ 582,884	\$ 1,152,457
Receipts - Jail Canteen	197,600			
Other Financing Sources:				
Transfers In	735,676		324,920	
Kentucky Advance Revenue Program	890,000	890,000		
Total Cash Receipts	<u>\$ 7,157,200</u>	<u>\$ 3,540,251</u>	<u>\$ 907,804</u>	<u>\$ 1,152,457</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,256,427	\$ 1,219,525	\$ 965,060	\$ 1,038,877
Expenditures - Jail Canteen	199,878			
Other Financing Uses:				
Schedule of Other Expenditures	9,800	9,800		
Transfers Out	735,676	735,676		
Bonds:				
Principal Paid	60,000			
Interest Paid	63,890			
Kentucky Advance Revenue Program Repaid	890,000	890,000		
Total Cash Disbursements	<u>\$ 6,215,671</u>	<u>\$ 2,855,001</u>	<u>\$ 965,060</u>	<u>\$ 1,038,877</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 941,529	\$ 685,250	\$ (57,256)	\$ 113,580
Cash Balance - July 1, 2001	<u>1,825,092</u>	<u>801,296</u>	<u>251,403</u>	<u>321,600</u>
Cash Balance - June 30, 2002	<u>\$ 2,766,621</u>	<u>\$ 1,486,546</u>	<u>\$ 194,147</u>	<u>\$ 435,180</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

General Fund Type					
Local Government Economic Assistance Fund	State Grants Fund	Ambulance Fund	Solid Waste Fund	Parks and Recreation Fund	911 Fund
\$ 52,790	\$ 278,900	\$ 296,118	\$ 470	\$ 64,452	\$ 80,279
		258,208	67,348	85,200	
<u>\$ 52,790</u>	<u>\$ 278,900</u>	<u>\$ 554,326</u>	<u>\$ 67,818</u>	<u>\$ 149,652</u>	<u>\$ 80,279</u>
\$ 54,947	\$ 89,795	\$ 534,758	\$ 80,032	\$ 133,335	\$ 72,711
<u>\$ 54,947</u>	<u>\$ 89,795</u>	<u>\$ 534,758</u>	<u>\$ 80,032</u>	<u>\$ 133,335</u>	<u>\$ 72,711</u>
\$ (2,157) 56,350	\$ 189,105 33,851	\$ 19,568 10,141	\$ (12,214) 13,890	\$ 16,317	\$ 7,568 49,495
<u>\$ 54,193</u>	<u>\$ 222,956</u>	<u>\$ 29,709</u>	<u>\$ 1,676</u>	<u>\$ 16,317</u>	<u>\$ 57,063</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

	General Fund Type	Debt Service Fund Type	Enterprise Fund Type
	911 Wireless Fund	Public Properties Corporation	Jail Canteen Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 48,212	\$ 127,111	\$
Receipts - Jail Canteen			197,600
Other Financing Sources:			
Transfers In			
Kentucky Advance Revenue Program			
Total Cash Receipts	<u>\$ 48,212</u>	<u>\$ 127,111</u>	<u>\$ 197,600</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 67,387	\$	\$
Expenditures - Jail Canteen			199,878
Other Financing Uses:			
Schedule of Other Expenditures			
Transfers Out			
Bonds:			
Principal Paid		60,000	
Interest Paid		63,890	
Kentucky Advance Revenue Program Repaid			
Total Cash Disbursements	<u>\$ 67,387</u>	<u>\$ 123,890</u>	<u>\$ 199,878</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (19,175)	\$ 3,221	\$ (2,278)
Cash Balance - July 1, 2001	<u>57,663</u>	<u>217,773</u>	<u>11,630</u>
Cash Balance - June 30, 2002	<u>\$ 38,488</u>	<u>\$ 220,994</u>	<u>\$ 9,352</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH
FLows-PROPRIETARY FUND TYPE

CARROLL COUNTY
STATEMENT OF CASH
FLows-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u> <u>Jail Canteen</u>
Cash Flows From Operating Activities:	
Cash Received From Inmates	\$ 197,240
Interest Received on Bank Accounts	360
Payments to Suppliers	(90,718)
Payments to Employees	(10,620)
Payments to County Treasurer	(32,530)
Payments for Inmate Benefit or Recreation	(10,512)
Payments to Released Inmates	(15,060)
Payments for Work Program	(7,685)
Payments to Circuit Clerk	(30,511)
Other Payments	<u>(2,242)</u>
Net Cash Used By Operating Activities	\$ (2,278)
Cash and Cash Equivalents, July 1, 2001	<u>11,630</u>
Cash and Cash Equivalents, June 30, 2002	<u><u>\$ 9,352</u></u>

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Carroll County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Carroll County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Carroll County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Carroll County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Carroll County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), State Grants Fund, Ambulance Fund, Solid Waste Fund, Parks and Recreation Fund, 911 Fund and 911 Wireless Fund.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the Administrative Office of the Courts in the amount of the debt service requirements for the year.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Carroll County Enterprise Fund Type includes the jail canteen account, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Carroll County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Debt Service Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit. For the purpose of the statement of cash flows, management considers all highly liquid investments with a maturity date of three months or less when purchased to the cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

The Public Properties Corporation of Carroll County issued First Mortgage Revenue Bonds (Court Facilities Project) Series 1993 in the amount of \$1,510,000. Interest rate varies from 3.5 percent to 5.8 percent. Principal payments are due annually in March and interest is due semi-annually in September and March.

Bonds outstanding of the Carroll County Public Properties Corporation Fund are:

Due During Fiscal Year Ended June 30	Interest Rate	Interest	Principal
2003	5.30	\$ 60,740	\$ 65,000
2004	5.40	57,295	70,000
2005	5.40	53,515	75,000
2006	5.60	49,465	75,000
2007	5.70	45,265	80,000
2008-2012	5.75 - 5.80	151,776	475,000
2013-2014	5.80	20,300	230,000
Totals		<u>\$ 438,356</u>	<u>\$ 1,070,000</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CARROLL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,002,910	\$ 2,650,251	\$ 647,341
Road and Bridge Fund	585,036	582,884	(2,152)
Jail Fund	1,122,505	1,152,457	29,952
Local Government Economic Assistance Fund	45,200	52,790	7,590
State Grants Fund	433,404	278,900	(154,504)
Ambulance Fund	320,800	296,118	(24,682)
Solid Waste Fund	300	470	170
Parks and Recreation Fund	92,300	64,452	(27,848)
911 Fund	73,950	80,279	6,329
911 Wireless Fund	28,000	48,212	20,212
Totals	<u>\$ 4,704,405</u>	<u>\$ 5,206,813</u>	<u>\$ 502,408</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 4,704,405
Add: Budgeted Prior Year Surplus	<u>803,686</u>
Total Operating Budget Per Comparative Schedule of Final Budget and Budgeted Expenditures	<u>\$ 5,508,091</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE

CARROLL COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Revenue Categories</u>	<u>Governmental Fund Types</u>		
	Totals (Memorandum Only)	General Fund Type	Debt Service Fund Type
Taxes	\$ 2,465,099	\$ 2,465,099	\$
Excess Fees	71,028	71,028	
Intergovernmental Revenues	1,863,433	1,863,433	
Charges for Services	496,550	496,550	
Miscellaneous Revenues	394,602	270,888	123,714
Interest Earned	43,212	39,815	3,397
Total Operating Revenue	<u>\$ 5,333,924</u>	<u>\$ 5,206,813</u>	<u>\$ 127,111</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CARROLL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 566,669	\$ 487,990	\$ 78,679
Protection to Persons and Property	1,817,326	1,643,025	174,301
General Health and Sanitation	522,658	187,930	334,728
Social Services	106,500	98,014	8,486
Recreation and Culture	286,462	238,488	47,974
Roads	875,307	872,553	2,754
Bus Services	6,000	6,000	
Administration	1,327,169	722,427	604,742
Total Operating Budget - General Fund Type	\$ 5,508,091	\$ 4,256,427	\$ 1,251,664
Other Financing Uses: Borrowed Money- Kentucky Advanced Revenue Program - Principal	890,000	890,000	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 6,398,091</u>	<u>\$ 5,146,427</u>	<u>\$ 1,251,664</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OTHER EXPENDITURES

CARROLL COUNTY
SCHEDULE OF OTHER EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>Expenditure Items</u>	<u>General Fund</u>
Rescue Squad Expenses	<u>\$ 9,800</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Carroll County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated July 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carroll County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- All Revenues Of The County Should Be Deposited By The Treasurer and All Disbursements Should Be Budgeted and Approved by Fiscal Court

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 10, 2003

COMMENT AND RECOMMENDATION

CARROLL COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2002

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

All Revenues Of The County Should Be Deposited By The Treasurer and All Disbursements Should Be Budgeted and Approved by Fiscal Court

The former DES Director has collected reimbursement from trucking companies and their insurers for costs incurred cleaning hazardous material spills on the interstate highway while on county time and with county equipment. The money was deposited in an unapproved checking account with the knowledge of the former Judge/Executive and spent as the DES director saw fit. The expenditures for the audit period are presented on the accompanying Schedule of Other Expenditures. The new Judge/Executive took office in January 2003 and suspended the account. KRS 68.020 requires the treasurer to make deposit of all county revenues. KRS 68.240 requires all such funds of the county to be budgeted during the annual county budget process or as a budget amendment. KRS 68.275 requires fiscal court approval of all expenditures and requires a treasurer signature on warrants. These statutes were circumvented by the DES Director without the knowledge of the Treasurer. We recommend the unapproved checking account be closed to the general fund and revenues and expenditures be budgeted and processed as are other county funds.

County Judge/Executive Harold Tomlinson's response:

The account will be closed into the general fund account. Billing and deposits will be done by the treasurer. Funds will be budgeted and reported as are other county funds.

PRIOR YEAR FINDINGS

None.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

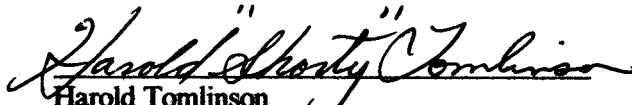
CARROLL COUNTY FISCAL COURT

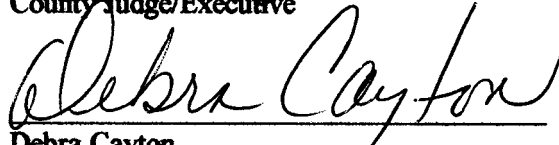
For The Fiscal Year Ended
June 30, 2002

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CARROLL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Carroll County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Harold Tomlinson
County Judge/Executive


Debra Cayton
County Treasurer